Clearwater's half-year consumer sector commentary

Autumn 2012

the spend

HUNGRY FOR MORE

The rise of fast casual

2012 M&A REVIEW

CONSUMER NEWS

Welcome

Welcome to our latest issue of *the spend*, Clearwater's bi-annual commentary on the consumer sector.

Had you heard of the likes of Chipotle, Vapiano, Leon or Barburrito just a few years ago?

The answer is almost certainly not, which just goes to show how fast-changing and dynamic a place the high street dining market continues to be, despite the pressures on the wider economy.

In fact fast casual, along with fast food, now accounts for around half of the entire eating out market in the UK. Typically these are smaller-style restaurants where people maybe spend half an hour on a meal and are not afraid to eat alone either. As Coffee Republic founder Bobby Hashemi tells us in this issue: "People are busier, they have less time, they want more convenience and they want to be able to eat at any time of the day."

> "Fast casual brands are redefining the very experience of affordable dining with a combination of excellent service, technology and extreme customisation."

The rise of such 'fast casual' brands as they have become known, is creating a casual bridge between fast food value and full service dining, and it has become one of the most defining trends in the consumer sector in recent years. As analyst NPD Group says, these brands are redefining the very experience of affordable dining with a combination of excellent service, technology and extreme customisation.

From an M&A perspective, this is not only a market with great growth prospects but also one that remains highly fragmented. Driven in part by discounting, eating out has simply become a regular habit for vast swathes of the population, particularly young adults.

A large number of these fast casual diners are women too, reflecting the fact that the rising female workforce is having a huge impact on both the leisure and consumer services market in general.

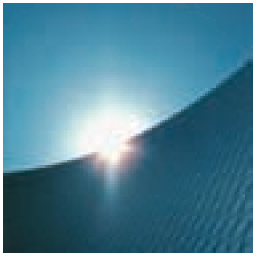
Turning to retail trends, trading conditions remain tough. However Private Equity (PE) and trade buyers continue to seek out high quality consumer propositions, and the M&A market held up well in the first half of 2012 thanks to shifting patterns in global consumption and digital opportunities, as well as from a result of distressed sales.

As things stand, there is every sign that such trends will continue throughout this year and into 2013 too.

Gareth Iley
Partner

The spend is published by Clearwater Corporate Finance LLP
Editor: Jim Pendrill
Design: www.vu-tbg.com
Subscription: james.hales@clearwatercf.com

Contents



Meet the team

Marc Gillespie
Partner
+44 (0)845 052 0302
marc.gillespie@
clearwatercf.com

Gareth Iley
Partner
+44 (0)845 052 0367
gareth.iley@
clearwatercf.com

Ravi Monteiro
Assistant Director
+44 (0)845 052 0378
ravi.monteiro@
clearwatercf.com

Samuel Davies
Manager
+44 (0)845 052 0357
samuel.davies@
clearwatercf.com

Sarah Charman
Consumer Analyst
+44 (0)845 052 0393
sarah.charman@
clearwatercf.com

Jackie Naghten
Consumer Consultant
+44 (0)845 052 0300
jackie.naghten@
clearwatercf.com

Olivia Prew
Deal Originator
+44 (0)845 052 0375
olivia.prew@
clearwatercf.com

Fast and furious

The fast casual sector seems immune from the recession. We spoke to investors to discover the sector's appeal, while also finding out what else is hot in the consumer space.

It is increasingly evident that however deep and lasting the UK recession, it will do little to dent the consumer trends which emerged during the boom times.

Take eating out. It used to be a luxury, yet today it's a habit and a growing one at that. More than one in 10 meals in the UK are now eaten out of the home and the figure continues to soar.

Given that the eating out market comes in at approximately £30bn in the UK it is little wonder that it has investors licking their lips. Bobby Hashemi, co-founder of the Coffee Republic chain back in the 1990s, recently set up his own investment vehicle Union Ventures to tap in to precisely such opportunities. Hashemi says Union Ventures will focus on the consumer, leisure and food sectors, looking at growth companies seeking up to £3m of funding, and says the eating out market will be a key focus of his attention.

"Despite what people might think to the contrary, the eating out market remains one of the most fragmented in the UK. Plump all the top national brands together and they still don't even account for 10% of the market."

Hashemi remains bullish about the leisure sector in general because it is less affected in this recessionary environment than retail. "Never forget that restaurants and leisure are all about getting out of the house and socialising too."

He adds that there is a continued flight to both value and the premium end of the market, and says that for a concept to work it needs to be scalable across the country. "Value does well wherever you are in the country. Take a player like McDonalds which is doing really well, while any concept built around £10 per head or lower is doing well too.

“At the other end of the scale the premium market continues to hold up too. Just try booking a table at a top London restaurant. At this level wallets aren't so affected.”

One of the biggest drivers in this market is the fast casual sector which, along with fast food, now accounts for around half of the entire eating out market. Fast casual typically means smaller-style restaurants where people spend maybe half an hour on a meal and aren't afraid to eat alone.

Case study: Loungers

The rise of fast casual also typifies the blurring of lines between work and leisure. The trend was illustrated recently by Piper Private Equity’s investment in Loungers, a chain of café bars which claims to offer a 'third space' between the office and home. The £16m investment was Piper's largest single investment to date.

Loungers’ outlets, furnished with old photographs and board games, are designed to create a relaxing, community feel. The formula clearly works and the founders are planning to open another 50 outlets within the next five years.

Peter Kemp Welch from Piper added: “We had known the business for a number of years and knew the management team very well. Until now the founders had been able to reinvest to fund growth, but there was an increasing desire to bring in a partner to work alongside them.”

"People are busier, they have less time, they want more convenience and they want to be able to eat at any time of the day," says Hashemi. "At the smaller end of the market this is a less-fished pool and the opportunities are significant."

Research from foodservice analysts NPD Group shows that over the last decade fast casual restaurants have built a 3% share of the £49.2bn foodservice market in the UK. For the 12 months ending March 2012, the sector posted a 3.6% increase in consumer visits and sales growth of 2.5%. This compares to a 0.9% increase in consumer visits and 1.6% sales growth for QSR (Quick Service Restaurants).

> "The eating out market remains one of the most fragmented in the UK. Plump all the top national brands together and they still don't even account for 10% of the market."
> **Bobby Hashemi**

Chains such as Chipotle, offering Mexican food, and Vapiano, with its fresh take on Italian food, epitomise the attributes of fast casual dining. Along with the likes of Carluccio's, Leon and Barburrito, they are redefining the experience of affordable dining with a combination of technology, sustainability and extreme customisation, say NPD.

It adds that over the last three years fast casual restaurants have shown an annual growth rate of 3.5% in consumer visits and 5.1% in sales, figures which it regards as a strong performance during a period of severe economic challenges. The analysts also say that creating a casual bridge between fast food value and full service dining is a clever strategy if you want to gain market share.

Guy Fielding, Foodservice Director for NPD Group, says: "Fast casual restaurants offer consumers a culinary adventure that is high quality, convenient and affordable. Its strength lies in offering consumers food, service, and design that combines operational excellence with a focus on quality. Its success is a clear sign that consumers are willing to pay for 'menu value,' and are not solely focused upon 'value menus' even in these economically challenging times."

Fielding says although fast casual dining may be a relatively new trend in the UK, other foodservice providers should take note. "In the US fast casual dining is now four times the size of the fine dining market. Its success in the UK is the beginning of a new way of dining, this is definitely not a blip."

One look at the growth plans of the leading players is enough to show this is true. For instance, Leon has announced plans to open 10 more restaurants over the next three years after launching an interesting new finance scheme which raises cash from customers. The Leon Bond aims to raise around £1.5m although returns are only payable in what are being called £eon Pounds which will be loaded onto

electronic cards, and which can only be used to purchase food at Leon restaurants.

Earlier this year the Business Growth Fund (BGF), established to help fast-growing SMEs, pumped £3.25m into Mexican street food chain Barburrito. Having started as a single unit in Manchester and the UK's first ever burrito bar, the business now operates from six sites but plans to triple its number to 18 over the next four years, primarily in London.

Mexican food is one of the fastest growing sectors in the restaurant industry at present. In particular, burrito bars are taking off and are expected to be the growth sector of the industry over the next few years.

Peter Kemp Welch from Piper Private Equity, adds: "Some people talk about whether the UK can ever reach US levels where half of all food is consumed at home and half outside the home. I don't think we will reach those kind of levels but what is true is that for young people today eating out is simply a part of what they do.

"At the same time tastes have evolved in interesting ways. Who could have imagined that a brand like Yo Sushi would be as successful as it has been. Spicy food is another area doing very well."

Food for thought

The M&A market has continued to hold up in 2012 driven by shifting patterns in global consumption, continuing digital opportunities and distressed sales.

The consumer space remains an active one for deal activity with some 124 recorded deals involving a UK target during the first half of the year up from 115 in 2011.

This partly reflected the pressures that continue to bear down on the high street. For instance, the retail sector accounted for the lion's share of deals with more than 50 transactions, although around a third of these were distressed sales. Meanwhile, more than a third of the overall number of deals related to cross-border activity as overseas corporates took advantage of opportunities to snap up well-known UK names such as Gieves and Hawkes, Sarsons Vinegar and Clinton Cards.

The first half of the year also saw a further rise in the number of e-commerce deals as, in particular, big names continue to lay claim to valuable IP in the sector. In terms of sub-sectors the travel market proved a particularly hot sector in the first six months of the year with 24 transactions, double the number of deals compared to 2011.

Branded food products was also a busy sector with 16 deals during the first half of 2012, reflecting the sale of a number of assets by Premier Foods.

Far East investors on march

Far East companies have shown continuing interest in investing in UK companies and brands, no better shown than when Chinese state-owned Bright Foods picked up a 60% stake in Weetabix in May this year from Lion Capital, which retains the other 40%.

The acquisition allows Bright Foods to take advantage of fast-growing demand for packaged and convenient healthy foods in China, with the company selling the product through its existing distribution channels and its own retail network.

According to Euromonitor the breakfast cereal market in China had sales of $191m last year but has seen double-digit growth for several years. Bright Foods had previously tried and failed to buy United Biscuits and Yoplait, and the deal represented the largest ever overseas acquisition by a Chinese company in the food and beverage sector.

Another notable transaction saw Japanese vinegar manufacturer Mizkan buy the vinegar and sour pickles division of Premier Foods for £40m, a move which will allow Mizkan to expand its presence in the UK market.

Far East interest in strong British brands has also been seen in the clothing sector. In May famous Savile Row tailor Gieves and Hawkes was acquired by Trinity, the listed Hong Kong based retailer of high-to-luxury end menswear. YGM Trading, another Hong Kong based retail group, also rescued luxury brand Aquascutum from

Average ebitda multiples (consumer sector)	2010	2011	2012*
Total	10.1x	11.2x	9.8x
PE	11.8x	11.9x	11.0x
Trade	9.0x	11.0x	8.7x

* Only disclosed deal values are used

administration. In both cases, the new owners are seeking to benefit from strong Far East demand for luxury goods.

Itochu, the Japanese trading group, also acquired Quantum Clothing, a supplier to Marks and Spencer. Quantum was formed from a management buyout of Coats Viyella and specialises in the manufacture of menswear, hosiery and lingerie.

Private equity hits back

After finding itself often outbid by cash-rich trade buyers last year, UK Private Equity (PE) made something of a return in 2012, seeing an increasing share of deals in the consumer space. Around a quarter of these transactions involved distressed companies.

One of the most notable transactions was the £1.5bn buyout of UK frozen food retailer Iceland by its management team which was the second largest PE deal in Western Europe in the first half of the year. Iceland's founder Malcolm Walker was part of a consortium, including retail group Landmark and South African PE firm Brait, that agreed to buy Iceland from the liquidators of its previous owners, the failed Icelandic banks Landsbanki and Glitnir. Walker founded the chain back in 1970 from a single shop in Shropshire.

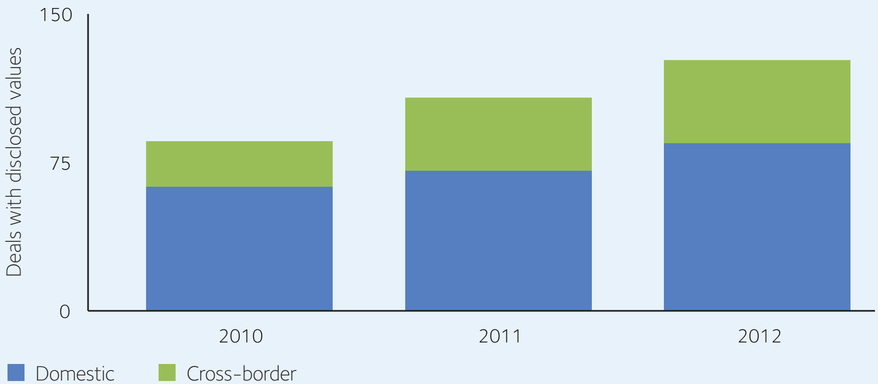
Elsewhere Novus Leisure, the owner of the Tiger Tiger and Balls Brothers bar chains, was subject to a £100m buyout backed by Hutton Collins Partners and LGV Capital. The investors now plan to double the group's central London portfolio over the next three years and expand into other cities including Manchester, Bristol and Leeds.

Tough times

Meanwhile the languid performance of the UK economy continued to take its toll on the high street in the first half.

Alshaya, the middle-eastern retail investor, signed a pre-pack deal to rescue 60 of La Senza's high street lingerie stores,

UK deal volumes by geography (consumer sector)



Source: Clearwater research

however a further 84 stores closed. La Senza blamed tough trading conditions for its declining fortunes.

Edinburgh Woollen Mill, the UK retailer that bought Jane Norman out of administration last year, acquired almost 400 Peacocks stores in February this year, saving about 6,000 jobs at the value fashion chain. However more than 200 Peacocks stores did close.

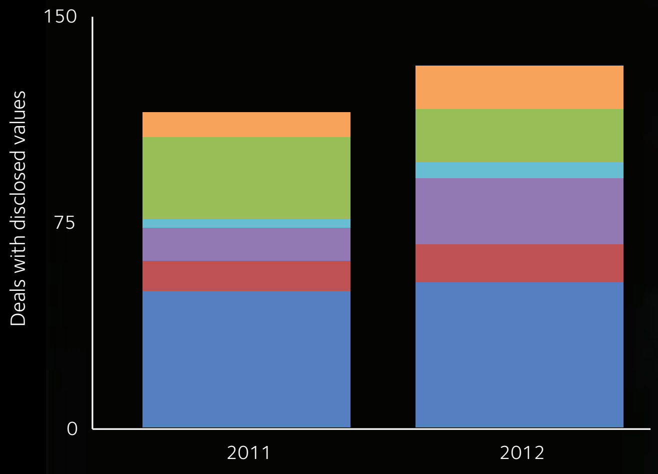
In June nearly 400 Clinton Cards stores were sold to US greeting card company Lakeshore Lending, a subsidiary of card maker American Greetings. More than 350 Clinton stores, including all of its Birthdays-branded stores, closed in the wake of its administration.

Digital develops

2012 has already seen some interesting developments in the digital space, particularly among the UK retail giants.

For instance Sainsbury's acquired HMV's 64% stake in Anobii, the platform which allows users to purchase ebooks and share reviews. Anobii currently has around 60,000 customers internationally and is also owned by major publishers HarperCollins, Penguin and Random House UK.

Deal volumes by category



Source: Clearwater research

Tesco bought We7, an online radio player founded by Peter Gabriel for £10.3m. The website lets listeners create a personalised radio station by picking the artists they want to listen to. Last year Tesco also bought Blinkbox, a film streaming service.

CDs, DVDs and books have formed an important part of the non-food product offering for the leading supermarket groups. These acquisitions reflect the growing importance of the digital space as consumers move away from traditional store-based retail in the entertainment categories.

According to the Publishers' Association sales of ebooks grew by 366% in the UK last year, and it is forecast that similar transactions will take place over the coming months as retailers position themselves to capture growth in the digital market.

Indeed online spending continues to grow at record levels. Strong sales of fashion accessories and electronic goods helped to lift internet sales in the UK by 17 per cent to £6.5bn in July this year according to the IMRG Capgemini e-Retail Sales Index. Sales made over mobile devices more than quadrupled.

Best of British

Famed restaurateur Iqbal Wahhab, founder of London's Roast, still has plenty of irons in the fire.

Iqbal Wahhab claims his Roast restaurant is one of the busiest in London. Judging by the crowd of City workers and tourists that have poured into the South Bank eaterie on the day we meet, it's hard to disagree. Indeed there's certainly little sign of any UK recession here with orders for cocktails flying off the counter, and the general scene mirroring the equally bustling thoroughfares of the Borough market outside.

> "Whether it's the wine, the fish or the meat, guests are more enlightened. They'll ask what's in season. They know what questions to ask."

So just why have places like this, which Wahhab says is making £1m net profit a year, been so immune to the downturn? After all, you still cannot get a table for love or money in the top London restaurants these days.

Wahhab, who opened Roast back in 2005 to celebrate the best of British cooking, says the influx of foreign money from the likes of Russia has certainly played a big part, but says in Roast's case its popularity is also greatly helped by its location too and the emerging South Bank financial community, standing as the restaurant does in the shadow of the new Shard tower.

"We are not in Mayfair, although a Roast would work very well there and we have looked at it but been put off by the crazy prices," admits Wahhab. "Being just south of the river we get City business from both sides of the river as well as from the tourist spend coming to the markets. When we opened here I knew it would be the perfect location for what we do, and so it's proved."

What is also striking is the number of working women eating too. "Sectors which are renowned for the high proportion of working women such as marketing have really grown in this area, and I think some of it is down to that.

"The plain fact is that more women are now working in the City generally. When it comes to somewhere like this restaurant, what is also significant is that they're not just doing the salad and grilled fish. They're going for the heavier meat dishes too, it's almost a bit of a macho thing."

Owning a restaurant in such a prime location has given 48-year-old Wahhab a front row seat in observing the subtle yet distinctive changes in consumer eating behaviour over recent years. When it comes to fine dining he says people are particularly knowledgeable now. "Whether it's the wine, the fish or the meat, guests are more enlightened. They'll ask what's in season. They know what questions to ask."

One of the biggest changes he has personally seen at Roast is the growth of the breakfast market which attracts a £22 per head spend. "This market's now huge for us. In fact more people come here for breakfast than for lunch, although the average lunch spend is more than double at £47. It's a more novel way of doing business. We ran breakfasts from day one here because I didn't see the logic of having a restaurant closed half the day. At the time people thought I was mad, but we have proved them wrong."

Wahhab, who was awarded an OBE for public service and services to the hospitality industry three years ago, is used to going out on something of a limb. Indeed he is best known for founding London's Cinnamon Club, an upmarket curry house, at a time when curry houses just didn't do upmarket. “It showed we could take Indian food to a whole new level.”

As we speak Wahhab has plenty more ideas at the premium end of Indian cuisine, telling us how recently reading a book on the cooking delights of the Maharajahs gave him his latest. “As soon as I finished reading I thought this shouldn't be a book, it needs to be a restaurant!”

Wahhab is brimming with ideas and says in time he would like to develop a portfolio of brands. However he concedes that actually turning such ideas into reality in the notoriously challenging world of fine dining remains very tough.

One area he is clearly keen to tap into though is the growth of the fast casual sector as evidenced by his acquisition earlier this year of Indian street food chain Moolis in a pre-pack deal. “I could see that this was a business that really needed to grow. We're not just talking about restaurants either, it could be innovative mobile outlets too. More than half of sales are currently take out and delivery.”

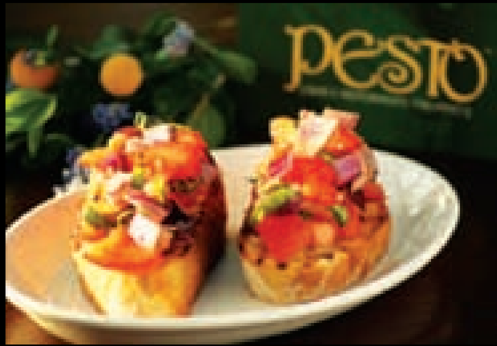
What does fast casual personally mean to Wahhab? “To me it means clean, quick and cheap. In the old days it would have meant your greasy spoon cafe and fish and chips, but no longer. There are some fantastic brands in this space now, such as the Mexican names.

“But on the Indian side there has never been an Indian Pret or Pizza Express. Some people have tried but never got both the brand and the food right. Some have got one but not the other.”

And what of his plans for Roast itself? Could we see more opening up? Wahhab hints that if there is to be another Roast it is probably as likely to be abroad as in the UK.

“I did actually nearly open one in New York a few years ago and I have had offers to open in Dubai, Singapore, Delhi and Hong Kong. But I confess I am extremely precious about the brand. I would be very wary of someone screwing up my brand from thousands of miles away.”

Pesto in a pub



More than a decade after selling La Tasca, its founder Neil Gatt is back and is talking big with his Italian brand Pesto.

When entrepreneurs look for inspiration they invariably find it in their local. In Neil Gatt's case he found it driving past one.

Not that he could have stopped inside for a pint, for at the time the Cabbage Hall in deepest Cheshire - where we meet Gatt today - had just closed its doors. But it got the man who brought tapas to the masses with his La Tasca brand thinking hard about his Italian restaurant chain Pesto.

“The economic turmoil of the last few years made us realise that we needed to develop a new strategy, and that was to take Pesto into pubs.”

Gatt and partner Sara Edwards founded Pesto, where diners select a range of dishes tapas style, back in 2006 and five years after he sold La Tasca. By today the plan had been to roll out Pesto nationwide with Private Equity (PE) backing. But timing and the credit crunch put paid to that.

As Gatt recalls: “When we started talking to PE investors we only had two Pesto restaurants and were considered too small. They loved the concept and the track record of management got a huge tick in the box, but it ultimately came down to the plummeting economy.”

Weren't you surprised given that track record? “Sure. Looking back, if we had a few restaurants open just a few years earlier it could have been a very different story. I could have been sitting here now talking to you about exiting this business with 50 restaurants.”

Gatt and Edwards were forced to rely on self-funding and bank debt to grow the business, inevitably at a much slower rate than they wished.

He says the situation also forced them to look at a new strategy for the chain which historically had sites in either city centres or out-of-town shopping centres. And the strategy? “You're sitting in it,” comes the reply. “The economic turmoil of the last few years made us realise that we needed to develop a new strategy and that was to take Pesto into pubs. We had first thought of the concept a few years back but it was actually driving past this place and seeing that it had shut that got me thinking. I only live five minutes from here and drive past it every day. I thought here was the perfect opportunity to try out the pub concept.”

Gatt says the move to reposition the brand in pubs makes sense given the number shutting their doors. “Pub chains are coming under a lot of pressure whether it's from the smoking ban, cheap alcohol in supermarkets, from consumers' reduced disposable income or from their own levels of gearing. All these factors have conspired against pubs in recent times so many are turning to food.

“But most of them are simply providing your standard British fare, the steak and ale pie, the fish and chips. There is nothing to differentiate them. With a lot of pubs closing there will be opportunities for us to roll out our model quickly. It suits the pub owners too. In this climate they are looking for stable rental income.”

The financials work favourably too, says Gatt. “In our Glasgow restaurant we spent more than £1m developing the site. Here we spent just £50,000, yet this is already making more profit. We've done the same with a pub in Widnes which cost us £80,000. That will make 300 per cent return on capital in its first year."

Gatt says the speed of growth from here will naturally depend on funding. "We either get to about 20 restaurants within two or three years via the self-funded route, or we bring in some PE money and accelerate a roll-out to around 50." He says he is already hearing "positive noises" and says almost all the new Pesto sites will be in pubs. "This is a much lower-risk strategy than opening restaurants in town and city centres. The returns on capital are huge and if we do get a site wrong our capital exposure is less."

Gatt insists his existing city centre sites are still profitable but says they are coming under pressure from both an over-supply in the mid-market casual dining sector, and from the voracious discounting strategies that so many national operators have adopted.

Gatt says the moment you start offering 50 per cent discounts overtly you change the dynamics of any business. "You are changing your customer base and those customers don't go into your restaurants unless they have a voucher. It might drive footfall but it erodes margins and pushes wage costs up as a proportion of sales. It's simply unsustainable."

With so many brands discounting it means, whether they like it or not, almost all operators having to do their share of discounting too, whether overt or covert. In Pesto's case Gatt points to their 'three dishes for £8.95' lunch promotion. "The fact is that people are always looking for a deal."

Gatt's views are coloured by his experiences working for both Little Chef and Berni. "At both companies I saw the effect of chasing more margins. Both companies got to a point where they priced themselves out of the market they were trying to appeal to and that has stuck with me.

"When I was being brought up I used to go to Berni once or twice a year with my parents and it was a real treat. You got a good quality steak and it was good value for money."

However he doesn't see discounting lasting forever. "All these businesses that have gone into discounting have to reset the benchmark within their particular sector. There will have to be a degree of weaning people off vouchers, but it could take quite a few years."

However Gatt says the city centre upper mid market sector is faring well. "If you take the likes of Piccolino, Carluccio, Jamie's Italian, Browns or San Carlo then they are doing ok because their target customer is not quite as affected by what is going on in the economy. If you're on a 50k salary and mortgage rates are still low then you're not going to be affected in quite the same way."

Are times tougher now compared to the early 1990s when Gatt was building up La Tasca? "I think they're just very different. There is now hugely increased competition. I've often said to myself that I don't think I could ever have created anything as good as La Tasca, but I do now believe that if I had started Pesto instead of Tasca it probably would have been even more successful because Italian food is simply more popular than Spanish."

Wherever the Pesto journey takes him Gatt, who turns 50 this year, won't be stopping there. "I'm always coming up with ideas and lost count of the number of times I've had one and googled it to see if anyone else has had it. Unfortunately invariably someone has!"

Ecommex

Our Ecommex Index, which tracks the market capitalisation of listed ecommerce businesses worldwide, has performed well in 2012.

Ecommex enjoyed a strong first seven months of the year increasing 31% in value over the period, boosted by impressive reporting results from a number of index companies. Ecommex outperformed both the FTSE 350 UK General Retailers (up 12%) and the S&P Comp 1500 Retailing Index (up 18%).

> "Amazon has poured money into new versions of the Kindle in order to add new customers, with the Kindle Fire remaining the best-selling item on its website."

After a difficult end to 2011 Amazon has been a star performer during 2012 with its share price up 30%, driven by buoyant demand for Kindle devices and increased investment in distribution.

Amazon has poured money into new versions of the Kindle in order to add new customers, with the Kindle Fire remaining the best-selling item on its website. The company also spent $4.6bn on warehouses last year to enable faster distribution, which has driven improved operational performance. Amazon has also added more third-party sellers to its website, for which it collects a commission of around 10%, generating higher margins.

UK-based Asos has also enjoyed a strong 2012 with its share price rising 36% to 1,812p during the first seven months of the year. The surge was driven largely by continued international expansion for the group which saw global sales more than double for the year ending 31 March. In particular Asos launched country specific websites in Australia, Spain and Italy, while UK retail sales also performed well, up 7% compared to the prior year.

Yoox, the Italian based online retailer of fashion and design brands, is another business that has benefited from increased penetration of international markets. During the first half of the year, Yoox announced that North America had replaced Italy as the company's largest source of revenue, demonstrating robust demand in international markets. It is also planning on launching its website in China later this year.

Yoox has recently entered into a joint venture with PPR, the French luxury retail group, to enable the sale of PPR's products through a global online platform.

However access to international markets does not guarantee success, particularly at a time of such economic uncertainty. Blue Nile, the US-based online retailer of high quality diamonds and jewellery, has seen a sharp decline in its share price performance during 2012. It has been impacted by global economic factors including weakness in international demand for high-end diamonds, coupled with the continued impact of inflationary pressure on commodity costs.

In March, Blue Nile appointed Harvey Kanter as CEO and the company has since begun to show signs of improvement. An accelerated growth plan, targeting aggressive investment in non-engagement jewellery to drive increased customer lifetime value, is being implemented.

At present our index has a large weighting towards the US where lots of ecommerce businesses are listed, however in time it will become more international as more companies enter the space.

Everest

Better Capital

Sale of a leading manufacturer, installer and supplier of PVC windows and doors

Clearwater Corporate Finance advised the shareholders

Petmeds

MedicAnimal

Sale of a leading online retailer of animal medicines, pet grooming and pet supplies

Clearwater Corporate Finance advised the founder and majority shareholder

David Philips

FF&P Private Equity

Sale of a provider of furniture to the UK's professional residential property market

Clearwater Corporate Finance advised the shareholders

Day Lewis

RBS & Co-operative Bank

Refinance of a retail and wholesale pharmacy chain

Clearwater Corporate Finance advised management and shareholders

Harrington Brooks

RJD Capital Partners

Secondary buyout of consumer debt management services provider

Clearwater Corporate Finance advised RJD Capital Partners, the acquiring private equity fund

Jojo Maman Bebe

Magenta Partners

Fund-raising for specialist multi-channel maternity and baby products retailer

Clearwater Corporate Finance advised the founder and majority shareholder

www.clearwatercf.com

9 Colmore Row
Birmingham B3 2BJ
Tel: +44 (0)845 052 0360
Fax: +44(0)845 052 0361

62-65 Chandos Place
London WC2N 4HG
Tel: +44 (0)845 052 0300
Fax: +44(0)845 052 0303

50 Brown Street
Manchester M2 2JT
Tel: +44 (0)845 052 0340
Fax: +44(0)845 052 0341

16 The Ropewalk
Nottingham NG1 5DT
Tel: +44 (0)845 052 0380
Fax: +44(0)845 052 0381

clearwater
corporate finance llp

IMAP